

**2018 REGULAR SESSION
OF THE KENTUCKY GENERAL ASSEMBLY**

**Judicial Form Retirement System (JFRS)
Judicial Retirement Plan (JRP)
Legislators Retirement Plan (LRP)**

Summary of Enacted Legislation

SB 151, Pension Reform, provides:

1. On January 1, 2019, current and future members of the Kentucky Employees Retirement System (KERS) will be able to participate in a newly created **401(a) Money Purchase Plan**. The plan is a mandatory defined contribution plan and will provide a monthly retirement benefit to a vested retiree based upon the member's accumulated account balance. The accumulated account balance represents the member's contribution, a state contribution of 4.00%, and investment returns on both the member and state contribution. Service purchases are not available to 401(a) Money Purchase Plan members. Pre-January 1, 2019 members of the Judicial Retirement Plan (JRP) and the Legislators Retirement Plan (LRP) may elect to participate in the KERS 401(a) Money Purchase Plan. Participation requires the member to make an irrevocable election on or before January 1, 2021. On the date of the election, the member's account in the Defined Benefit Plan or the Hybrid Cash Balance Plan within JRP or LRP stays constant, the JRP or LRP membership ceases, and the KERS 401(a) Money Purchase Plan commences. Eligibility for participation by a JRP or LRP member requires a favorable private letter ruling from the Internal Revenue Service.
2. For **Defined Benefit Plan Members of LRP** the service credit rate of 2.75% shall apply to years of service earned prior to January 1, 2019, and the service credit rate of 1.97% shall apply to years of service earned after January 1, 2019. Only legislative salary is included in determining final compensation, a component in the benefit formula, except non-legislative salary earned prior to January 1, 2019, can be included for LRP retirees who participated in LRP after June 2005 and before January 2014.
3. For **Hybrid Cash Balance Plan Members of JRP and LRP**, interest applied to an accumulated JRP or LRP Hybrid Cash Balance account beginning June 30, 2018, will be 85% of the respective plan's geometric investment return average, never to be less than zero. In addition, interest accumulates so long as the member contributed to any state retirement system during the immediately preceding fiscal year.
4. An individual who **retires and begins drawing a JRP or LRP retirement allowance after January 1, 2019, cannot earn a second JRP or LRP retirement benefit** for service as a judge, justice or legislator that occurs after the date the JRP or LRP benefit commences. The JRP or LRP benefit continues during subsequent employment by the Commonwealth.

HB 185, Death Benefits in Line of Duty (previously adopted as Fred Capps Memorial Act). This legislation amends a current statute to change the calculation and eligibility requirements for a death benefit, particularly for survivors of members of the State and County hazardous retirement systems. However, there is other language within the bill that makes the change applicable to: *any employee participating in one of the state-administered retirement systems who is not in a hazardous duty position*. Because of that language, it applies to JRP and LRP. The difference in the projected death benefit to a JRP or LRP member using the JRP or LRP formula and the death benefit under HB 185 is insignificant.

HB 203, Judicial Budget Bill. There is appropriated to JRP the sum of \$8,732,300 for each year of the biennium for retirement funding. This amount represents 100% of the Actuarial Required Contribution, ARC, determined by the Plan's actuary. JRP's original request for funding was the ARC, plus interest. There is also appropriated to JRP the sum of \$834,100 in FY 19 and the sum of \$838,500 in FY 20 for operating/-administrative expense. JRP's original request for operating/administrative expense was adjusted downward slightly by \$12,700 in FY 19 and \$25,300 in FY 20 because of a change to the retirement contribution to KERS on behalf of in-house staff.

HB 204, Legislators Budget Bill. There is appropriated to LRP the sum of \$309,800 in fiscal year 2019 and the sum of \$311,400 in fiscal year 2020 for operating/administrative expense. There were no appropriations for retirement funding.

HB 487, State Income Taxation. For taxable years beginning on or after January 1, 2018, the pension income exclusion will be \$31,110 (a reduction from the current exclusion of \$41,110).